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AUTHOR Litlow, Stan: And Others
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ABSTRACT

This book offers an independent analysis of the New York City education budget for 1981 by the Educational Priorities Panel (EPP). It represents an alternative to the mayor's budget, which calls for $89 million in cuts, and the board of education budget. The first two chapters contain background information on the EPP and an explanation of the base budget. Chapter 3 details those cuts the EPP feels should not be made, either because they include direct service cuts, or they represent proposals that will not produce the estimated savings. Chapter 4 discusses proposals in the mayor's budget that the EPP feels should be implemented. Also, it contains additional proposals for administrative savings. The final chapter offers suggestions the city of New York can use to restore $34 million to the executive budget. Included is a discussion of five potential sources of revenue. (LD)

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Education Budget Options: 1981

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EDUCATIONAL PRIORITIES PANEL
96 Madison Avenue
New York NY 10016
(212) 685-3563
(212) 674-2121

EA 012 767

The Educational Priorities Panel

95 Madison Avenue
New York, N.Y. 10016
(212)685-3563

Helen C. Heller, Coordinator

Advocates for Children
Alliance for Children
American Jewish Committee, New York Chapter
ASPIRA
Association for the Help of Retarded Children
Citizens' Committee for Children of New York, Inc.
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Management Staff (INTERFACE)

251 Park Avenue South
New York, N.Y. 10010
(212)674-2121

Stanley Litow
David Lebenstein
Norman Chung
Robin Willner
Susan Amlung
Sheryl Parker

EDUCATION BUDGET OPTIONS: 1981

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JUN 2 0 1980

SUMMARY

The following chart represents EPP's independent analysis of the Executive Budget for Education. It does not take into consideration the funds needed to meet the many unmet needs of New York's school children, but represents the minimum amounts needed to maintain 1980 service levels.

Direct Service Cuts Proposed in the Executive Budget	Amount of Cut (amount in millions)
1. Increase in class size	$ 8.980
2. Elimination of full-day kindergarten	3.000
3. Elimination of special education per capita allocation	3.100
4. 10% reduction in district school-based administration	4.400
5. 10% reduction in high school-based administration	4.030
6. Layoff of tax levy paraprofessionals	4.087
7. Elimination of non-mandated transportation	13.965
Total	$41.562

Savings Over-estimated in in the Executive Budget	Amount over-estimated (amounts in millions)
1. Closing 40 schools	$ 2.150
2. Turnover savings	5.000
3. Board of Examiners	1.000
4. Elimination of escorts in certain vehicles	3.000
5. Elimination of non-mandated transportation	2.465
Total	$13.615

Reductions Proposed in the Executive Budget and by the EPP	Amount Saved (in millions)
1. 90% administrative hiring freeze at Board of Education central offices	$ 2.184
2. 5% reduction in Community School District office	.586
3. Reduction of repair shop mechanics	.378
4. Transfer of responsibility for Spofford School	.486
5. Elimination of funding for the Board's radio and TV stations	.250
6. Reduction of unnecessary leases	1.000
7. Elimination of one-time maintenance and recreation appropriations	11.800
8. Reduction in Division of Curriculum and Instruction	1.000
9. Elimination of certain functions of crisis intervention teachers	1.987
10. Elimination of Chancellor's district reserve account	1.000
11. Reductions in funding for Fashion Institute of Technology	.351
12. Reduction allocation for sick leave coverage	1.000
13. Consolidation of central budget and personnel operations	.930
14. Transfer of continuing education and extended use functions to Youth Board	1.000
15. Enrollment decline	20.619
Total OMB suggested savings possible	$44.461

Additional Savings Proposed by EPP		Amount of Savings (in millions)
1.	Attendance services through the Youth Board	$ .500
2.	Additional savings in private leases	2.000
3.	Closing of 12 schools	1.500
4.	Energy savings	1.000
5.	Transportation savings	3.000
6.	Elimination of Office of Community School District Affairs	.488
7.	Elimination of Office of Senior Assistant for Business	.200
8.	Turnover savings, fringe benefits, unemployment benefits	2.500
	Total EPP recommended savings	$11.188
	Total savings possible	$55.649
	Total Board of Education cut imposed in Executive Budget	$89.000
	Total gap to be filled with additional City allocation	$33.351

This analysis does not account for several further problems in the budget which may yet erupt. These include a) lowering of the federal and state reimbursable indirect rate; b) collective bargaining increases; c) federal aid reductions. These may necessitate midyear service reductions.

EPP recommends that the City allocate $34 million additional funds to the Board of Education from the following possible revenue sources:

1. Allocate more of the funds from State Aid to Education to the Board of Education.
2. Additional State Aid to Education in the State Supplemental Budget.
3. Recalculation of tax revenues.
4. Recalculation of Debt Service Costs.
5. Additional Federal Impact Aid.

Without these additional funds, instructional services in the schools, already at the "no frills" level, will be severely impacted.

I. INTRODUCTION

The Educational Priorities Panel, a coalition of 25 major parent and civic groups, has been monitoring the Board of Education budget since 1976. Throughout its existence, the Educational Priorities Panel has proved that an independent analysis of the budget, different from that which is prepared by the Mayor's Office or that which is prepared by the Board of Education, is vital and necessary to see to it that the needs of public school childern are preserved. Furthermore, such an independent data base is necessary to ascertain the truth in the debate between the Mayor, interested in making the necessary cuts to achieve a balanced budget, and the Board of Education, interested in shielding itself from having to make those cuts.

It has been our contention that realistic options and alternatives need to be presented by educational advocacy groups in order that we might play a role in the budgetary process, for it is the budgetary process that will affect the lives of public school children. In the process, we have forced ourselves to become budgeteers and technocrats. We have wrestled with the uncertainty of revenue projections at city, state or federal levels. We have tried to analyze the real savings possible though the natural shrinkage of the educational system. We have also suggested ways in which additional savings can be made through management improvements. We have gone through every administrative unit at the Board of Education, identifying waste and mismanagement. In past years, our analysis of the Division of School Buildings, of the Bureau of School Lunches, of the Bureau of Supplies have produced dollar savings. Virtually every administrative area at the Board of Education has been subjected to

EPP scrutiny and analysis.

But now we are faced with a very special challenge. The Mayor has produced a budget calling for an additional $89 million in cuts in the Board of Education budget. As you will read in the analysis to follow, we have been able to identify in potential administrative and management areas only $55 million in actual savings. We have been careful to make a distinction between actual savings and savings which could be proposed, but might not be achieved. Therefore, we are forced to conclude that an additional $34 million should and must be restored to the education budget. We should have no illusions about the restoration of this $34 million. It will not provide for increased services to children. It will merely hold the line to the admittedly inadequate level of services provided last year. It will merely make it less likely that no classroom service cuts will have to be made during 1981. We must understand that our children's needs are not being met. They are not being met this year and they would not be met even if the $34 million is restored. Therefore, this is a rock-bottom request. The least we can expect is that we will not see our schools decimated and, therefore, we request this $34 million. To support this request, we have indicated how it might be found and we have suggested a series of actions which the City can take so that our school system will remain whole.

Because members of the EPP are parents, child advocates and believers in the future of our City, it is very painful for us to limit our request to a "hold the line" budget. We understand the limits of the City's revenue sources and the mandates for a balanced budget. However, we cannot present our request without at least describing some of the services which the

school system should be providing but which are lacking even if the status quo is preserved.

For example, the high schools lack important services. A report by the EPP revealed that many high school students receive only 4 hours of schooling a day because the high schools do not receive an adequate allocation to offer a full day of services. The Board of Education's own "Drop-out Report" revealed that 45% of our ninth-grade students fail to graduate from high school. Greater effort is needed to reach out to truants and potential drop-outs and then to provide them with special programs to keep them in school. And now our high schools are being bombarded by the pressures of Regents Competency Tests and State Reregistration requirements which require funding for the necessary remediation programs.

Each year, close to 10,000 entering high school students are prevented from attending both their first and second choice vocational programs because of the insufficient number of available seats. Labs are filled with idle students because the school cannot afford to repair or maintain equipment. Other students devote two years to training which is useless in obtaining the promised entry level job because the school cannot afford to keep pace with technical advances.

The New York City high schools offer an eighth grader as many as seventy options for a secondary educational program. However, we don't have the guidance staff to inform these students of the options and help them make appropriate choices. And even if a student manages to enter and complete the high school program that matches his or her needs, skills, and goals, who will provide guidance for choosing a career, college, or technical school? Will the guidance counselor, responsible for five

hundred students or more have the time?

In the lower grades, the Chancellor has not been able to expand the transitional class programs to all eligible students. These are special small classes to help failing children rather than returning them to the same curriculums in which they were unsuccessful. Thus six-year olds are being held in a pattern of academic failure from which they may not recover.

As we haggle over changes of one or two students in average class size, the latest research indicates that only significant decreases in class size can provide educational benefits. The effort to reduce class size to 25 in the first grade lasted only one year, and now our first graders are trying to learn how to read in classes of 30, 32 and 35.

This list could go on much farther, including programs for adolescent mothers, vocational education, guidance services, etc. However, it is clear that New York City has major "service gaps" for its public school children which must be addressed with the same commitment that we have made to resolving the "budget gap".

Certainly, many improvements can be made within existing resources with better and more creative management. The EPP will continue to examine the problems and offer solutions. However, there are only so many ways to stretch each dollar and each staff position. Even a status quo budget for this year cannot provide all the services our children deserve.

II. THE BASE BUDGET

In January, when Mayor Koch released a preliminary budget or Program to Eliminate the Gap (PEG), EPP identified in its analysis, as a major budgetary problem, the lack of agreement between the Mayor's Office of Management and Budget and the Board of Education over the size of the base of the education budget. All proposed cuts must be taken from an agreed-upon base figure, or else there will be no agreement on the final budget figure. The "base budget" is the amount of money required to provide this year's level of service plus mandated increases. In a period of rapid inflation, the base budget must increase in order to just hold the line on services because of fixed cost increases. These include salary increases due to contractual agreements for regular increments, mandated escalations in social security and other employee benefits, and rising energy costs. The base budget must also supply sufficient funds for the upcoming labor settlement. In addition, the Board of Education must provide increased services in special education under Federal legislation and a recent judicial decision. The Board must also comply with other new state requirements for competency testing and graduation requirements. If the City fails to provide adequate funding for the base budget, the Board must cut other services to fund these required expenditures. It is unrealistic to discuss only the PEG proposals for reductions without including the reductions implicit in underfunding the base budget.

The Executive Budget for FY 1981 includes $344 million for mandated services and expenditures which were not included in the budget for FY 1980 when it was approved (see Table 1). It is from this total that the $89 million PEG reductions must then be subtracted, leaving a net increase of $255 million. However, if we examine the components of the increase,

TABLE 1

Increases in the Base Budget for Education
FY 1980 - 1981

Collective bargaining costs	$ 92.2 million
Fringe benefits increases	18.7
Special education services	117.4
Preparation period coverage for special education teachers in the Community School Districts	1.2
Pupil transportation	41.4
High school remediation funds (PSEN) to prevent a State disallowance of reimbursement	14.9
Remediation programs for high school students failing graduation competency tests	1.4
Energy costs	31.2
Replacement of Impact Aid funds which have been eliminated from the Federal grants to NYC	14.4
City tax levy dollars to fund positions previously funded by Federal CETA program	4.3
To remedy this year's underestimate of sabbatical costs for high school personnel	2.6
Increased OTPS costs for supplies, equipment, etc.	4.3
TOTAL	$344.0 million

none of these funds represent increased instructional services provided in the schools.

Of this $344 million, more than $90 million had already been added to the Board's budget during this school year to provide for unavoidable increased special education and transportation costs. At the time that these funds were allocated, it was recognized by the City that this must become part of the Board's base budget because these were mandated services which would have to be continued. Furthermore, the additional money needed to cover these services will be much more than $90 million to cover an entire year of services in FY 81 rather than the half year for which they were allocated in 1980. If we compare the final modified budget for FY 1980 (including the required mid-year increases) to the Executive Budget for FY 1981 (including PEG reductions), the Board of Education's budget has increased by $148.7 million to cover fixed cost increases only. Of this, sixty-nine million dollars was added to the base to cover mandated special education costs and other necessary expenses (see Table 2) since the issuance of the preliminary budget. And as we shall demonstrate below, rather than providing any program enhancements, this figure still reflects a major reduction (see The Real Cut).

Nevertheless, the Executive Budget, unlike the preliminary budget, includes a base budget that both the Mayor and the Board of Education agree will cover all fixed costs. The EPP is relieved to see that the base problems have been resolved, and we commend all sides in the dispute for resolving it rationally. Unfortunately, none of this money can be used to offset the impact of the proposed 1981 cuts. This only means that possible underfunding of the base does not loom over the education cuts with massive hidden reductions. Now we can turn to a discussion of the proposed cuts.

TABLE 2

Allocation in the Executive Budget for Disputed Base Items
FY 1981

$14.900 million	High school remediation funds (PSEN) to prevent State disallowance for reimbursement
1.000	Transportation
.281	Extended use program
26.000	Special education
8.849	Special education fringes
14.450	Replacement of Impact Aid funds which have been eliminated from the Federal grants to NYC.
2.600	To remedy this year's underestimate of sabbatical costs for high school personnel.
.400	High school remediation
$68.480 million	TOTAL

The Real Cut

To a certain extent, the Mayor's Executive Budget recognized those issues raised by EPP in its PEG analysis. The list of optional cuts has been replaced by a specific listing of $98 million in reductions to balance the budget. Further, the Mayor has pledged that an additional $9 million will be reduced from that $98 million by applying a small portion of the City's increased State Aid to Education directly to reduce these education cuts. Consequently, the total cut to be levied against the Board of Education in fiscal year 1981 has been reduced to $89 million, a $22 million reduction from the $111 million recommended in the January 1980 PEG program. (Of course, this is difficult to reconcile when one reads newspaper articles which indicate that the City has restored $91 million to the Board of Education budget, but these stories are incorrect because they combine the final $69 million addition to the base, as outlined in Table 3, with the $22 million provided to actually offset cuts.)

In the four months between the release of the Mayor's Proposed Program to Eliminate the Gap (PEG) and the Executive Budget, considerable progress has been made in preserving educational services in New York City public schools. The Mayor has met his commitment to ensure that the base budget was funded adequately. All remaining disagreements were settled and $69 million was added to the base budget. In addition, the Mayor reviewed the evidence provided by the EPP ("A Proposal to Rescue the School Budget", March 10, 1980) and others that documented the miscalculations and direct service cuts contained within the PEG. Many unrealistic and damaging suggestions were removed from the budget and the Board of Education's cut was reduced by $22 million to $89 million. We appreciate these efforts.

However, during that same period, the City received new net revenues of $169 million. Of this amount, $121 million was new State Aid for Education. Although education was the major generator of new income, the Board only received 13% of these funds, or $22 million to offset cuts. Much has been done to secure educational funding, but the fact remains that an $89 million cut is being proposed by the Mayor and, at this point in time, $89 million worth of cuts must be identified before the fiscal year 1981 begins on July 1, 1980.

This is not only too much for the Board to absorb without extreme damage to services, it is also an unjust cut. Although education represents only 19% of the City Budget (excluding pensions and debt service) and 12% of the City tax levy dollars, the Board is being asked to absorb 29.8% of the City's reductions. The fact that certain cuts suggested in January by the Office of Management and Budget (OMB) have been dropped from the calculations in the Executive Budget is small solace when one looks at the effect of the $89 million in cuts still proposed. As this report will demonstrate, the $89 million cut contains more than $41 million in direct classroom service cuts and another $14 million in cuts have been miscalculated or simply represent unachievable savings. The Mayor's complete list requires a reduction of 4,220 positions, including 3,121 layoffs. EPP does feel that $44.5 million in cuts suggested by OMB <u>can</u> be implemented and adds another $11.2 million of its own suggested savings, yielding $55.7 million in total savings that can and should be made in the 1981 budget. However, $89 million of savings is entirely unrealistic. Accepting EPP's list of possible reductions leaves us with a gap of $34 million between what the Mayor's budget demands and what the school system can legitimately find. It is this $34 million which the City must restore.

III. THE PROBLEMS IN THE EXECUTIVE BUDGET FOR EDUCATION

The Executive Budget proposes that the budget for the Board of Education be cut by $89 million in order to balance the City's budget for FY 1981. For the most part, the laundry list of suggested cuts is a reiteration of those that appeared in the Program to Eliminate the Gap (PEG) in January.

Of the proposed cut, $13.6 million represent unachievable savings. If unrealistic savings serve as the basis for a balanced budget, the Board can only choose between deficit spending or last minute service reductions. The first alternative is obviously not an option since both the City and the Board of Education must live within their budgets. Therefore, it is imperative that the City Council and Board of Estimate understand the real implications of these budget proposals. The Mayor has indicated in his budget message that only $16.1 million of the recommended cuts will affect basic classroom services. From this, we can subtract the additional $9 million in State Aid to Education which was promised after the Mayor's calculation, theroretically further reducing the instructional cuts. However, the Mayor's calculation has two major problems: first, his definition of classroom services is too narrow and camouflages the enormity of the service reductions. Services to children are not protected by relabeling a direct service reduction as an "administrative cut". Second, the Board will be forced to replace the unrealistic and overestimated savings with further service reductions when OMB's proposals cannot be achieved. In September, the resulting shortfall will be made up by service reductions which are no less onerous because they were not delineated earlier. In fact, they are more onerous because they are usually ill-planned, hastily implemented, and totally unexpected

by parents and the public who have been led to believe that certain services will be maintained.

This chapter will detail those cuts which should not be considered either because a) they represent explicit cuts in services to children, or b) they represent unrealistic or miscalculated savings which will result in the need for further service cutbacks. This is based on the total of proposed cuts representing $98 million, of which only $89 million need to be implemented.

Direct Service Cuts Proposed in the Executive Budget

1) Increase in Class Size.....809 positions; $8.980 million.

This is an item which has been re-evaluated by OMB since the Program to Eliminate the Gap was released in January. At that time, savings of $12.288 million were projected for an increase in average class size from 29.0 to 31.3. The current proposal is based on a less drastic consolidation of classes, to only 30.24 students per class.

As the education community in general and EPP particularly have continued to observe, such average figures are misleading. This proposal would have greater impact on the lower grades, where more small classes exist at this time. These classes, including first grade, transitional classes, and other small classes for remediation or bilingual programs, have been organized on the basis of educational decisions. We cannot afford to subvert the principal and supervisors of a school, ignoring their expertise in order to organize classrooms according to a mathematical formula. Neither computer programs nor arbitrary contractual language can serve as a substitute for educational planning to design appropriate services for children.

It is important also that we understand the far-reaching effect of this proposal. Those children placed in larger classes would not be the only ones to feel the impact. Due to the contractual protections of seniority and the prescribed procedure for laying-off and excessing teachers, teachers would be "bumped" from school to school and district to district. A principal who had developed a school organization during the summer would be faced with a staff that changed constantly through September and October. By November 1st, 40%, 50% or even 80% of the personnel may be new to the school, unfamiliar with the students, parents and community.

Increased class size represents a clear decline in the amount of individualized instruction and teacher contact with each student. This is a direct cut in instructional services and one that ought not to be sustained by the City Council and Board of Estimate.

2) Elimination of tax levy support
for full-day kindergarten.....270 positions; $3.000 million

The proposal to eliminate funding for full-day kindergarten represents a direct cut in instructional services. This year, twenty-one districts provided this program (including one district which organized a class without the benefit of additional funding). For FY 1980, this program reached 8,493 five year olds. Full-day kindergarten is especially important for children from single-parent families or families where both parents are working. Approximately one-third of the families in New York are single-parent families (see Children and Families in New York City, Foundation for Child Development, February 1979). For many middle class families, the availability of a full-day kindergarten program may provide the incentive to enroll their children in public school, an option they

may reject permanently once they have been forced to place the children in a private full-day kindergarten.

The EPP has presented this case previously. Although the City agrees that this proposal represents a direct service reduction, it continues to offer it as a means of balancing the budget. Apparently, the major rationale is that a) the Chancellor had previously considered eliminating full-day kindergarten, and b) since this program does not exist in all districts, it is therefore not part of the basic instructional package. While it is true that about one-third of the districts do not have full-day programs, that should not be misconstrued to mean that such services are unnecessary extras or undesirable. It only means that these financially strapped districts have been forced to make wrenching choices and set priorities according to community needs. This has meant cutting one important service in order to preserve another. The loss of a service is not less detrimental, nor should it be more acceptable, because others have already been forced to institute a similar cutback.

3) Elimination of the per capita allocation to the community school disticts to cover special education administrative costs.....279 positions; $3.100 million

The districts currently receive $100 per special education student as part of the Module 5 allocation. This allotment was reduced this year from the previous $200 per capita. Schools and districts which have welcomed special education students incur costs which are not covered in the special education budget. Funds are not provided for lunchroom costs, clerical support, hall patrols, school yard monitoring and school bus activities to cite just a few. However, if a school's population is 10-15% special education students, or even 25%, as is the case in certain

schools, these services must be provided at significantly higher levels with no funding from the Division of Special Education or the normal support service allocation. The $100 per capita is required to fill this gap and maintain services for all of the children in the school building.

The services which are delivered with these funds are no less essential having been labeled "administrative". For example, the per capita allocation may fund extra clerical help necessitated by the extra record-keeping and reporting requirements for special education students. The proper completion of these clerical duties is very important. The EPP has often joined with City officials to demand base-line data and accountability from the Board of Education. The mid-year deficit in special education was an example of the difficulties which result from inaccurate or haphazard data about the numbers of special education students and the costs of providing service to them. These are difficulties which can eventually lead to insufficient, inappropriate, or ineffective services for children. The special education per capita also provides for non-clerical services, such as additional monitors or chaperones necessary for the safety and well-being of these children. All of these services will continue to be provided with or without the per capita payment. However, if the per capita payment is eliminated, other support services for all children in the district schools will be reduced.

4) 10% reduction in administration
in individual district schools.....396 positions; $4.400 million

This is a new proposal since the release of the PEG. The City has instituted a 10% administrative cut throughout City agencies as one of the measures to fill the budget gap. The EPP endorses such central administrative savings and has always urged them on the Board of Education at 110 Livingston Street. For the last four years, the EPP has identified administrative

waste, mismanagement, and duplication at the Board, and earmarked savings in the educational bureaucracy. However, one cannot extend similar cuts to every level of the Board of Education. Educational services are not limited to the duties performed by a teacher in front of a class of students. This executive budget proposal would include cuts in all support staff in a school under the rubric of "Administration". Counselors, neighborhood workers, principals, and aides are all threatened by this proposal. These are personnel who provide services to children, services which are already at an inadequate level in many schools.

5) A 10% reduction in administrative and support staff in the high schools...363 positions; $4.030 million

The same faulty logic that prompted the above proposal has applied the 10% administrative cut to individual high schools. Once again, this cut would result in the layoff of people who fulfill a direct service function for students and the supervision necessary to maintain and monitor educational services. In addition, the high schools have been the target of the most severe cuts since the beginning of the fiscal crisis. In May, 1979, the EPP released a comprehensive study of the Allocation of Tax Levy Resources to New York City High Schools. At that time, we recommended that $9.6 million in additional funding for the high schools was required in order to provide a full school day, or its equivalent, to every high school student. Under the current inequitable allocation formula for the high schools, many students are not receiving adequate basic educational services. Considering the 45% drop-out rate from New York City high schools, the numbers of students unable to pass the Basic Competency and Regents Competency Tests, and the number of students two or more years behind grade level in basic skills (40% in

fall 1978), it is unthinkable that the high schools can sustain further reductions.

6) Layoff of 670 tax levy paraprofessionals.....$4.087 million

This proposal has been reduced to less than half of the original suggestion which would have eliminated all tax levy paraprofessionals. The new Executive Budget proposal reflects the necessity to maintain those paraprofessionals who provide services for Pupils with Special Educational Needs (PSEN). The Board receives targeted State funds for these children and the State may have disallowed future funding if PSEN services were cut.

Furthermore, regardless of funding source, all paraprofessionals render important services in our schools. The spectre of increased class size and reduction in Federally-funded resource rooms and remediation programs makes these personnel even more important if we are to provide appropriate educational programs.

7) Elimination of non-mandated transportation for students in grades 3-8.....$13.965 million

New York City provides free and reduced-fare transportation services beyond the State mandates. For those children in grades K through 8 who live less than a mile and a half from school, there is no State reimbursement for transportation costs. This issue must be viewed from two perspectives. First, the proposed cut represents a tax on children and families and has a direct service impact.

From this perspective, we must recognize that many children in New York City will not easily be able to attend school if transportation is not provided free of charge. In certain areas of New York City, public

transportation is accessible. But, for many of our families, it is also expensive and $5 a week for each child (if the subway fare does not inncrease) is not available in their budgets. In other areas of the City, there is no public transportation available. This is commonly perceived as a problem for Queens and Staten Island children, where a mile walk may include negotiating a six-lane expressway with no pedestrian crossing or school crossing guard. However, even in the other boroughs, public transportation is not always an option. Bus and subway routes often do not correspond to the feeder patterns of the individual schools. As an example of the potential impact of these proposed cuts, the intermediate school in District 8 in the Bronx sustained a 5% drop in attendance when yellow bus service was discontinued in 1975 without an alternative public bus route available.

The second perspective involves the accuracy of the projected savings. Transportation services also are one of the proposals which have not been costed out carefully. Even if non-mandated transportation must be sacrificed, what will be the actual savings?

Several factors affect the possible savings in transportation. Children who live more than a mile and a half from school ride buses along with those living within the limits. It is inaccurate to assume the savings will equal the cost of the number of buses required to transport the total number of children ineligible for reimbursement. Rather, each bus route must be examined to determine how many eligible children will remain on the bus. Then, in a process that parallels the issue of classroom "breakage", buses will have to be rerouted and consolidations made before there is a determination of the actual number of contract buses which can be expended. It is likely that some routes

may have to be continued with less than capacity ridership, thereby limiting the savings.

Further, for regular transportation it is the contract bus companies that do the routing, not the Bureau of Pupil Transportation. There is no incentive for companies to maximize savings to the Board through cost-effective routing since the result is a loss of contract revenues. Also, the contracts include a clause which guarantees that no contract item will be reduced by more than 10% because it refers to each item separately and there is a cushion due to routes which have been added since the contracts were bid.

The EPP has urged both the Board and OMB to recalculate the actual savings. OMB has reduced its January estimate slightly to reflect the consolidations already made this year to contain pupil transportation costs. However, the Board of Education has calculated that they can achieve savings of only about $11.5 million, almost $2.5 million less than OMB's estimate. The loss of transportation services in itself would be severe hardship. Moreover, if these services are terminated, but there is a shortfall in achievable savings, what will be the result? How much more will class size have to increase; how many more teachers will be laid off to correct $2.5 million worth of miscalculations?

Transportation is one of several proposed cuts which have been miscalculated. Following are others which we believe have beer overestimated and, if implemented, will force further service reductions during the school year.

Proposals Which Will not Actually Produce the Estimated Savings

1) Closing 40 schools.....$3.645 million
Overestimate - $2.15 million

OMB had initially suggested that 40 underutilized schools should be closed by September 1, 1980. The revised proposals, recognizing the impossibility of such a task, now require the closing of the schools by January 1, 1980, worth only half of the savings. Furthermore, the Mayor and the Board have promised that an alternative use will be found for every one of the buildings so they do not become a blight on their neighborhoods. However, even an additional six months does not allow for appropriate planning. EPP's study, "When a School is Closed..." (May 1980) documented the process of transition from school to surplus property and the consequences for the immediate neighborhood. The case studies demonstrated that an attempt to close a school without adequate planning for re-use has a devastating impact on the community and eventually costs the City scarce dollars in tax arrears and fire and police protection. The EPP hopes to work cooperatively with the Board and the Division of Real Property to ensure that alternative uses are found. We estimate that this process cannot be completed for more than 12 schools this year and that a savings of $1.5 million is realistic.

2) Turnover savings.....$7.569 million
Overestimate - as much as $5 million

"Turnover savings" is the term used to identify savings that accrue when personnel who retire or leave the system for other reasons are replaced with new staff at a lower salary. However, there are two problems with the Mayor's calculations for turnover savings. First, it is unlikely that the rate of attrition will exceed the number of layoffs (over 3,000) demanded by the Executive Budget. Turnover savings can only be projected

if personnel are actually replaced. Further, although there may be replacement hiring in certain titles, these are likely to be pedagogues who have been laid off from other positions as required by labor contracts. Therefore, they will not be returning to the system at an entry level salary, but at a salary close to, if not equal to, that of the person leaving the system. (77% of the Board's teachers are already at the highest salary level for their positions, according to December, 1979 payrolls.) Hopefully, if EPP's recommendations for lesser cuts are implemented, the Board can benefit from some turnover savings, but not as much as the Mayor predicts.

3) Board of Examiners.....$1.000 million

4) Elimination of escorts on contract vehicles transporting handicapped students whose disabilities, according to the Board of Education, do not require escorts.....$3.000 million

The Executive Budget contains two further cost-savings actions that are probably not realizable: reduction of staff at the Board of Examiners and the elimination of some matrons on vehicles transporting handicapped children. EPP has endorsed these savings in the past, most recently in our March 10th analysis of the Mayor's Proposed Program to Eliminate the Gap. The Board of Examiners is essentially a State tax on New York City since the rest of the State's school districts (except for Buffalo) are not required to administer license examinations for school employees. The transportation savings could have been realized since the Bureau of Pupil Transportation now uses more smaller vans to transport handicapped children. Vehicles carrying children who can travel unescorted can be identified, providing procedures are incorporated for a parent to request a matron.

However, both of these issues required legislative action, the first

in Albany, the second by the City Council. Although the Mayor continues to project these savings, the appropriate legislation has never been introduced and at this point, it is highly unlikely that the necessary legislative processes could be completed in time for savings to be realized in this budget year, even were the legislation to be introduced immediately. EPP continues to support these actions, but we cannot allow the Mayor to remove dollars from the education budget based on something that will not occur. Only the children are hurt if we continue to discuss savings that will not materialize, and will therefore not offset reductions in basic instruction. Real dollars can be saved only if legislative action is taken. Although both the City and the Board claim to be commmitted to these proposals, neither has demonstrated this commitment with action. Unfortunately, this inactivity will result in $4 million of further reductions in instructional services.

If we include the probable shortfall in transportation savings of $2.465 million, we are faced with a total of $13.610 million in overestimated savings in the Mayor's proposed budget. Even if we assume that the teachers who will be laid off have less seniority and below-average salaries (an average teacher's salary is more than $20,000), this figure represents more than 900 teachers at $15,000 each who will have to be laid off to make up for these unachievable savings. The Mayor's promise of an additional $9 million in State Aid, which brought the cut down to $89 million, will not even offset these errors, much less preserve services.

This summary is not meant to imply that savings cannot be made in the Board of Education budget. The next section will outline such possible savings.

IV. MEETING THE BUDGET REDUCTION FOR THE BOARD OF EDUCATION

Although EPP has serious problems with many of the Mayor's proposals, we do recognize the need for the Board of Education to implement savings in administative areas and to contribute to the resolution of the City's fiscal problems. This chapter will detail the Mayor's suggestions with which we concur and also enumerate EPP's additional recommendations for further administrative savings.

Proposals in the Executive Budget Which Should be Implemented

1) 90% administrative hiring freeze at Central offices.....364 positions; $2.184 million

This would fulfill the City's requirement for an across-the-board administrative reduction.

2) 5% administrative reduction in the Community School District Offices.....30 positions; $.586 million

In the past, EPP has opposed reductions in Community School District staffs. The Mayor has proposed a 10% reduction. We recognize the uneven staffing levels among the 32 district offices due to a combination of differing management skills and reimbursable positions. Some districts already have pared their administration to minimum levels. However, in the face of the sacrifices that all divisions of the Board are being asked to make, EPP has reconsidered its position and will support a cut of approximately one position per district, or half of the Mayor's proposal.

3) Reduction of repair shop mechanics in the Bureau of Maintenance.....24 positions; $.378 million

No one who has visited our City's schools would claim that they are

properly maintained. While much of the poor maintenance results from severe budgetary constraints, there are also management deficiencies and a lack of coordinated planning and priority-setting. Furthermore, contract provisions restrict management's ability to cut costs because mechanics in certain titles are prohibited from performing other priority functions. Previously, EPP has identified specific titles in the Bureau of Maintenance which could be sacrificed as an alternative to further cutting of instructional services.

4) Transfer of responsibility for the school at the Spofford Juvenile Center to the Department of Juvenile Justice.....26 positions; $.486 million

This transfer will not affect services but the change in jurisdiction will make the school eligible for State funding. Implementation of this proposal has already begun.

5) Elimination of City funds for the administrative and operating costs of the Board's television and radio stations.....$.250 million

The Mayor suggests soliciting private contributions for the operation of the Board of Education's radio and television stations. However, there already exists a stipulation that all Cable TV stations provide free access to the public schools. The Board should take advantage of this requirement for schools in Manhattan, phasing the program into other boroughs as cable service is established. Furthermore, the City's station, WNYC, can be utilized.

6) Reduction of unnecessary leases terminating in FY 81.....$1.000 million

The Board of Education has made progress in this area, but there are still many month-to-month leases which could be terminated without penalties. EPP proposes that even more could be saved in this area (see

page 29).

7) Elimination of 1980 one-time appropriations for contract building maintenance and summer recreation.....$11.800 million

This was a one-time allocation which the Board received in 1980. The large part of this, $8.8 million, was awarded with the understanding that it would be used for one-time maintenance needs. Although there are many maintenance gaps in the schools, in the face of an $89 million reduction, we must first develop a strategy to sustain the current level of services. Assuming that these funds were used for non-recurring activities, eliminating them should not mean a cut in the normal level of services.

8) Reduction in the Division of Curriculum and Instruction.....$1.000 million

In the past, EPP has called for the complete elimination of this office which was duplicative of functions performed in the districts and high schools. However, the EPP has been pleased to note the Chancellor's attempts to develop Minimum Teaching Essentials and to respond to the new demands of the Regents Competency Tests and the new diploma requirements. Furthermore, a new Executive Director has been appointed to execute these new initiatives. Therefore, we are modifying our former position. The suggested cut of $1 million is based on a total budget of $2,230,347 for Curriculum and Instruction, which no longer includes the Bilingual Center and the Center for Career and Occupational Education (CCOE). EPP will be issuing a study of vocational education in June which will recommend certain tax levy savings at CCOE which can be used as part of the $1 million reduction.

9) Elimination of non-mandated, non-instructional functions performed by crisis intervention teachers.....179 positions; $1.987 million

The Board of Education has agreed that paraprofessionals can fulfill these duties.

10) Elimination of the Chancellor's reserve account for the districts.....$1.000 million

11) Reduction in City funding for the Fashion Institute of Technology, part of the State University of New York.....$.351 million

This appears as a pass-through in the Board of Education's budget and does not affect services.

12) Reduction in the allocation for teachers' sick leave to conform to the actual number of sick days.....$1.000 million

13) Elimination of redundant budget and personnel operations in Central Board of Education offices by consolidating these functions.....56 positions; $.930 million

The staff at Budget Operations and Review already carries responsibilities that are presently also assigned to other positions, which this proposal would eliminate. Also, the Board's new management information system for Board personnel should reduce the need for duplicative personnel operations as it is implemented.

14) Transfer of remaining continuing education and extended use functions to the Youth Board.....$1.000 million

EPP has previously suggested that savings could be made without reducing services if the extended use and continuing education programs were contracted through the Youth Board in order to attract 50% match money from the State Department for Youth, Comprehensive Youth Planning funds. The Mayor's current proposal recommends savings of $2 million so

that all continuing education and extended use programs can be run in this manner through Youth Board contracts which are funded with 50% City Tax Levy dollars and 50% State Match money.

EPP supports this recommendation as a means of maintaining services while saving City Tax Levy dollars. However, it is imperative that the contracts with the Youth Board do indeed provide for a maintenance of service. For example funds must be provided to open every school twice a month for the parent association meetings. Without this commitment, we are suggesting that $1 million stay in the Board's budget to ensure that each school is opened. Also, there is obviously a scheduling problem to ensure that the schools are used to capacity so that activities are at a maximum level and we receive full benefit from the custodial fees to open the schools.

15) Savings due to enrollment decline.....$20.619 million

This is another area in which the Mayor has revised his projections. Initially, the Program to Eliminate the Gap included a $24.645 million savings from declining enrollment. Enrollment projection is an inexact science. It relies on establishing trends derived from actual registers of the last several years. However, we have no way of predicting local or national conditions which may disrupt demographic patterns or parents' educational choices for their children.

OMB had developed a more sophisticated means of projecting enrollment decline that answers many of the criticisms that EPP has raised previously. The rate of decline has been derived on a district-by-district basis rather than the city-wide figures that had blurred the local distinctions in previous years. Also, the teacher savings have been estimated by examining the number of children in each school or each grade. This will

account for "breakage" or savings lost because enrollment decline is not distributed in such a way as to allow whole classes to be eliminated. New projections avoid overestimates that ignore the distribution of the children leaving the ssytem.

EPP is including the estimated savings for enrollment decline in our list of savings we support. However, we do this with some trepidation. It is difficult to count on specific dollar savings which are based on gross estimates. There will undoubtedly be savings due to enrollment decline. We hope these savings will not be mitigated by unforeseen events.

Total for OMB suggestions endorsed by EPP.....$44.461 million

EPP'S Additional Proposals for Savings

In order to help make up the difference between the savings listed above and the total cut which the Mayor has imposed on the Board, the EPP makes the following suggestions for additional savings at the Board of Education:

1) Contracting a pilot project for attendance services through the Youth Board.....$.500 million

In early May, the EPP released its study, "Empty Desks at School: Improving Attendance at New York City's Public Schools". This report documented the dearth of services to reach truant youngsters to bring them back to school. EPP recommended that a pilot project be instituted to purchase attendance services from community-based organizations. This plan would provide a wider range and an increased level of services. Further, if the pilot were conducted through the New York City Youth Board, the contracted services would be eligible for state matching funds. As proposed, the initial pilot program would yield $.5 million in savings

with a potential for further savings in future years as the program is expanded.

2) Additional savings in private leases.....$2.000 million

The Mayor has suggested that $1 million can be saved by terminating unnecessary leases. EPP has urged the Board of Education to realize savings in this area since 1976. The Board has made signficant progress through improved space management in recent years. However, there is more that still can be achieved. There are currently 200 schools with utilization rates under 60%. For districts and communities that are threatened by school closings, a multi-use program which includes administration and other school programs in these buildings seems to be the obvious first step. Of the 80 leases listed by the Division of Educational Facilities and Planning, 25 are month-to-month leases which could be terminated without any penalties for a savings of $.994 million or roughly the amount which OMB's suggests. However, EPP would propose that the Board of Education could achieve an additional $2 million in savings by vigorously pursuing a strategy to sublet other long-term leases. New York City's real estate market in certain areas of the City is booming, and while not all parts of the City are sharing in the benefits of this new status, many of the Board's leases are for desirable space in Manhattan, downtown Brooklyn, and commercial areas in Queens, for example.

The Chancellor, in a memorandum dated April 22, 1980, has already identified $2.7 million in savings in this area, moving towards our recommendation of a total of $3 million. We applaud the Board for its aggressive actions in this area and hope this will continue.

3) Savings due to limited school closings.....$1.5 million

As stated earlier, the EPP feels that appropriate planning and marketing can occur in order to close 12 schools this year and institute an alternative use.

4) Energy savings.....$1.0 million

The EPP has previously recommended much larger savings in energy costs. However, we have revised the possible savings in order to ensure that we have not overestimated the savings that can be achieved within the fiscal year. The Board has made substantial efforts in this area; however, with escalating costs and scarce resoures, we must continue to explore further conservation measures. The Board received an increased appropriation for fuel in the Executive Budget of $31.2 million to reflect rising fuel costs.

Several conservation programs underway at the Board of Ecucation will yield new or continued savings. This list does not include efforts to reduce electricity usage, a savings which accrues to the City, not the Board of Education.

- Continuation of the general temperature reductions for heating and hot water;
- A program (now in 10 schools) to test boiler efficiency;
- Insulated roofs on all new buildings and appropriate replacements;
- Window replacements;
- A pilot project for a "load management system" at PS 137 in the Bronx. This system, paid for out of capital funds, can be replicated in other large school buildings if it proves to generate energy savings;
- A National Energy Conservation Policy Act Technical Assistance Program grant was received to perform energy audits on eleven high schools and two complexes. This is the program which the EPP had identified as a source of funding in our March 10th report.

Staff at the Board of Education have indicated that information from the audits of these "worst consumers" should be applicable to other buildings built according to similar designs. Similar audits in institutional buildings have yielded savings equal to 20% of the energy costs in the prior year, according to a Depart ment of Energy official.

- Proposals for "gas-fired hot water heaters for oil burning schools" to save energy from May through October when the boiler is not used for space-heating.

- "Self-contained thermostatically-operated valve" to ensure that there are thermostats in all rooms and hallways to control the energy use and avoid waste.

While energy costs are rising, so has the Board's budget. We recognize the efforts that the Board has made in the past and the fact that there no longer are the kinds of easy savings that can be found in systems that are wasteful. Also, conservation is necessary just to compensate for sky-rocketing costs. However, $1 million in savings appears conservative in light of the multitude of programs already underway and in preparation.

5) Transportation.....$3.0 million

The EPP has examined the Bureau of Pupil Transportation (BPT) before ("Bidding and Purchasing: A Management Study of the Bureau of Pupil Transportation, Bureau of Supplies, and the Office of School Safety, May, 1979) and will be releasing a second study of the Board of Education's transportation services in June. However, at this time it is clear that management savings can be achieved at BPT that would not affect services. Specific recommendations will be included in our forthcoming report totaling over $20 million. We feel that it is conservative to project $3 million in savings for this fiscal year.

Savings can be found in the following areas:

- Consolidating routes for regular transportation and increasing monitoring of contractors' routing;

- Tightening controls over distribution of bus passes to prevent losses and to enforce eligibility requirements;
- Reviewing items in the matrons' contract during negotiations for an extension this June;
- Collecting damages for contract violations reported by parents; and
- Containing costs for transportation of special education children through rerouting, increased mainstreaming into neighborhood schools, careful site location for new programs, expanded travel training for students.

6) Elimination of the Office of Community School District Affairs.....$.488 million

School District staff should be able to deal directly with the various offices at the Central Board. This Office does not provide sufficient ombudsman services to justify its existence at this time.

7) Elimination of the Office of the Senior Assistant for Business.....$.200 million

This office represents an unnecessary bureaucratic level. Each division within its jurisdiction (Supplies, Transportation, School Buildings, Business) has a highly-qualified, highly-paid director. It would seem that these administrators could report directly to the Deputy Chancellor without passing through a Senior Assistant. This savings is an approximation of the expenditure for the Senior Assistant and 6 staff persons, whose positions cannot be identified in the budget.

8) Turnover savings, fringe benefits savings, unemployment benefits payments.....$2.500 million

EPP cannot compute these cost and expenditures without detailed payroll information. However, there will be savings in fringe benefits associated with the personnel savings that have been identified. As noted earlier, there should be certain turnover savings, especially if massive layoffs are

prevented. This would make it feasible that more teachers will leave the system than necessary to meet the budget cuts, necessitating the hiring of entry level personnel. Finally, if layoffs are reduced, the cost of unemployment benefits is likewise decreased. The $2.5 million figure is a conservative estimate to recognize that there will be savings in this area.

Total for additional EPP proposals.....$11.188 million

Total OMB and EPP suggestions.....$55.649

Thus, we have identified $55.6 million in administrative savings. This leaves $34 million in direct service cuts which must be avoided by alternative actions.

V. THE REMAINING BUDGET GAP

The Educational Priorities Panel has analyzed the Board of Education's budget and the management of its specific divisions since 1975. We are convinced that the list of possible savings outlined in the previous chapters is as exhaustive and accurate as possible. It represents a responsible approach by both taxpayers and child advocates. And yet, we are still shy $34 million of what the Mayor's budget demands. In order to maintain minimal instructional services, the City Council and Board of Estimate must act to restore this amount to the Board of Education budget before its adoption. In past years, the Educational Priorities Panel, when it has suggested that the educational budget was too severe, has called upon the City to restore funds. In 1980, $20 million was restored to the education budget. Now we are talking about a significantly higher figure. However, we believe we have built a stronger case. Although the Community School Districts and high schools represented 37.5% of the Board's budget in FY 1980, the Executive Budget only allocates 34.7% of the total to these services. If the City maintained the same level of support as last year, an additional $35 million would need to be appropriated. There is another comparison that can be made. City funding to the Board of Education increased 9.7% over last year. (Almost half of this increase consists of a transfer of vocational education teachers from the capital to the expense budget, a step toward achieving generally accepted accounting principles). In contrast, State funding rose 13.1%. If the City had met the State's proportionate increase, it would have alloted an additional $34 million to the Board. Furthermore, we are prepared to suggest some of the ways in which the City might find the dollars that it needs to

restore educational services. But first, we would like to add one more consideration to the case for the necessity of additional funding.

Unforeseen Problems

The importance of the restoration of $34 million to the Mayor's Executive Budget for education is driven home even further by certain unforeseen problems which may occur after the 1981 executive budget is adopted. These unforeseen problems could cause serious budgeting problems to occur mid-year, and, if we do not act quickly and definitely to restore the $34 million, we could enter the 1981 school year with a budgetary time bomb.

What are these unforeseen problems?

1) The Board of Education currently receives over $500 million in reimbursable dollars for programs operated with State and Federal dollars. For the administration of such programs, the Board uses an "indirect" rate of approximately 7.5% of each dollar to cover administrative costs. As Board-wide administrative costs have been driven down by former cuts, the Board is having difficulty justifying to the State and Federal government the full 7.5% in indirect reimbursables since the indirect rate relates to actual administrative expenditures. Current indications are that, due to administrative cuts, both State and Federal funding sources may reduce the Board's indirect rate by 1%. This reduction of aid would open a gap of about $5 million in the Board's budget.

2) The City is now negotiating new contracts with all municipal unions. The City has not as yet made a commitment to fund the upcoming labor settlement entirely out of City funds. If the City asks agencies like the Board of Education to fund part of the labor settlement out of

its own budget, each 1% increase will cost the Board of Education $18 million. So, for example, if the City were to settle with the unions at 7% and only fund 6% of that settlement with City funds, the Board would have to save $18 million in its budget to pay for labor contracts. If the settlement is any higher and the City's commitment remains at 6%, the Board's obligation will continue to increase at the rate of $18 million for every 1% increase.

3) The Federal budget picture is a very difficult one to gauge at this point. However, there is ample cause to be pessimistic about the impact of federal budget balancing plans on New York City in general and education in New York City in particular. As best as we can predict right now, the Board of Education would stand to lose a minimum of $25 million in a combination of Title I cutbacks and other cuts. Clearly, further negative budget decisions would only make it more difficult to operate our schools next year and in 1982.

The combination of these three unforeseen budgetary problem areas could seriously damage our chances to maintain instructional services at existing levels. Clearly, were the City able to afford it, we could easily make the case that another $50 million cushion to guard against these problems would be desirable. Yet, we all recognize the fiscal problems inherent in such a request. What we would state, however, as forcefully as possible, is that the failure to restore the $34 million we are specifically requesting in light of those unforeseen problems would prove to be disastrous.

Potential Sources of Funds

There are five potential sources of revenue from which the City might find $34 million to restore to the schools. Any combination of them is possible to produce the needed funds.

1) State Aid to Education dollars

When the State Legislature allocated an additional $130 million in State Aid to Education to the City, it was recognizing the fact that movement had to be made in accordance wiht the Levittown case towards equity in school financing. It recognized some of the special needs of large urban areas like New York City and increased by 13% the amount of State Aid going towards education in New York City. However, the City of New York, in an attempt to balance its budget, has allowed to pass through to education only a small percentage of that State Aid to Education. We would suggest that in order to find the $34 million necessary to restore education funds, an increased portion of that State Aid to Education, which had been earmarked for education in New York City by the legislature, be allowed to pass through to the Board of Education.

2) State Aid dollars in the supplemental budget

We would expect and we would urge every City and State official to lobby for an increase in education funds in the State supplemental budget. Furthermore, that increase in education funds must go directly towards education without a proportionate decrease in tax levy support. Last year, recognizing the fact that education in New York City was significantly underfunded, approximately $14 million in State supplemental funds came in the State supplemental budget and went specifically towards education. There is ample reason to support a similar effort this year. But it can only be achieved if all legislators at City and State level recognize that the proposed education budget will mean increased class size, substantial teacher layoffs, and a further erosion of services. We must receive additional education aid dollars in a supplemental budget

and get the commitment of the Mayor that those dollars will flow directly through to education.

3) Re-calculation of debt service

a) The Educational Priorities Panel would certainly not be interested in recommending that the City go back to the kind of fiscal circumstances that existed in this city prior to 1975. However, we do feel that the amount of money that the City will pay in short-term debt service has been estimated far too conservatively. The City will borrow somewhere between $600 and $700 million worth of short-term notes and revenue anticipation notes. This seasonal financing, which the City will engage in next year partially in September, partially in December, and partially in June, has been estimated to cost the City approximately $40 million in debt service on those seasonal notes. The estimated interest rate that the City is proposing that it will have to pay for that seasonal financing is indicated at an average of 10%. Based upon declining interest rates and based on a shifting market, we would suggest that the City can estimate downward based upon the new market conditions to either 8 1/2% or 9% the amount of interest it will have to pay on these seasonal notes. Were the City able to estimate its seasonal borrowing at 8%, approximately $6-$8 million could be saved by the City in interest savings. A more honest estimation of that debt service could go into the revenue calculations of the budget and some of it should be identified specifically to restore services in the education budget.

b) The EPP would also suggest that there is a distinct possibility that the City's need for some portion of its seasonal borrowing may be obviated entirely based upon the City's cash samples. It is no secret to anyone at this point that the City has accumulated by design a significant

cash surplus in order to partially fund the upcoming labor settlement. Since the cash need for funding that labor settlement would clearly not be immediate upon the City's agreement to a new labor contract, but instead would be paid over the life of any new contract, the City may be able to use in whole, or in part, some of the cash surplus to meet the City's seasonal borrowing needs. If this is true, the City would save all projected interest payments on whatever seasonal borrowing is obviated by utilizing the cash surplus. Were the cash surplus, for example, able to obviate in large measure the City's planned borrowing of $300 million this September, the savings to the City could be upwards of $15 million. Savings of this nature could clearly be identified to fill the identified needs in the education budget.

4) Recalculation of revenue estimates

Special Deputy Comptroller Sidney Schwartz's analysis indicates that the City has been far too conservative in estimating its revenue collections. He points out that, although there are uncertainties about projecting the effects of the oncoming recession, it is clear to him that property tax revenue estimates are too low and projected collections of taxes are too low. The Comptoller's report suggests that, of the variety of options open to the City, they have clearly taken the most conservative route in estimating revenues as they have in years past. For the last two years, conservative estimates of revenue collections have resulted in substantial year-end surpluses. Of course, some of the surpluses projected for the City this year and next are going to be earmarked for labor settlements. However, we suggest that these surpluses might be more economically spent on reducing the impact of service cuts. The long-term cost of not providing educational services will come back to haunt the City later on

with increased costs for the containment of juvenile crime, for the maintenance of vandalized buildings, and for support for an uneducated dependent population. Clearly it makes good sense for the City to devote some of its underestimated revenues to meet the direct educational service needs of our youth.

5) Federal Aid

Finally, we would suggest that the entire Federal Aid picture has not been adequately explored by the City. It is true that we can expect Federal budget cuts, based upon the strong sentiment for balancing the budget on Capitol Hill and in the White House. Surely, there is not much hope of achieving restoration of certain Federal cuts. Yet, the City has not until recently spoken with a unified voice and made common cause with other cities about the restoration of specific cuts. The highest of our priorities ought to be the restoration of Impact Aid. The cut in Impact Aid is going to severely impact instructional services. The Mayor recognized before Congress the importance of the restoration of Impact Aid and every City and State official ought to be speaking out about this subject also. If and when that Impact Aid were to be restored, it ought go towards the restoration of educational services.

Now clearly, alone, not one of these five individual areas is going to be able to foot the total bill for the restoration of the $34 million that education really needs. But a combination of State Aid to Education dollars, State Aid in the supplemental budget, a recalculation of debt service, recalculation of too-conservative estimates of revenue collections, and the potential for the restoration of Impact Aid, clearly make possible the creation of a fund equalling the $34 million that the school system needs. We urge City officials to restore the necessary funds to the education budget in order to maintain the minimum necessary level of instructional services.